

Message

From: Jim Kolotouros [REDACTED]@google.com]
Sent: 5/30/2019 4:39:42 PM
To: Hiroshi Lockheimer [REDACTED]@google.com]
CC: Jamie Rosenberg [REDACTED]@google.com]; Sameer Samat [REDACTED]@google.com]; Tristan Ostrowski [REDACTED]@google.com]; Donald Harrison [REDACTED]@google.com]
Subject: Re: Samsung store proposal

** attorney client privileged **

Tristan: please advise

Definitely think a flight out to land everything (MADA, RSA, Play) is a good idea.

Would be great to see the proposal first to see how far apart we are before heading over, in my opinion.

To quickly answer Jamie's question, the answer is yes... I do believe search revenue share and Play should be contemplated as one commercial/value exchange. Longer version of the answer is below (feel free to ignore as it is my preliminary thinking on the topic).

thanks.

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Some quick facts:

- In 2018, Samsung devices were responsible for ~53% of all search revenue through Android
- With respect to Play, the number is around 50%.
- Approximately 20% of search revenue on Samsung devices flows through S-browser. 25-30% through Chrome. The rest through the widget.
- Samsung Mobile spends around \$400M per year on cloud services through AWS (photos storage, etc., in connection with 1B active devices).
- Approximately 60% of Samsung's search revenue flows through Europe. That number should go up as a function of recent events. Please note this in relation to a choice screen.

Current RSA payload contains many elements which I do not think are as important as they once were:

- letter updates
- security updates
- Daydream
- search exclusivity (not as critical if MADA is renewed "as is" and because of Europe choice screen)
- thin Assistant protections

The things I want to maintain or introduce in the RSA are:

- i) S-browser defaults (maintain)
- ii) 2 search/assistant training screens out of box (maintain)
- iii) button remappability (new)
- iv) do not pay on the search widget for text-based searches (new)
- v) only pay on the widget for voice-based searches (new)
- vi) platform wide (new)
- vii) 4 year term (new)
- viii) DHS and hotword protections for 3rd party assistants (maintain. need legal guidance on how this could be structured)

**EXHIBIT 783**

Current revenue share rate is 25% (after 20% deduction).

- I'd reduce the revenue share on S-browser to 20%
- I'd increase the revenue share on Chrome to 30% IF it is in the hotseat. If not in the hotseat, don't pay on it as an access point (since Chrome in folder is already secured via MADA)
- I'd reduce the revenue share on the installed base to 20%
- This saves around \$2B in TAC over 4 years.

The \$2B is what can be allocated toward i) alignment on user protections and confusion with respect to gaming/applications on Samsung devices, ii) negotiation maneuverability on the search side, and iii) TAC reduction for Ruth/Sundar. To give you a sense for sensitivity, if we increase Chrome revenue share to 35% and keep S-browser revenue share % "as is" at 25%, the 4 year TAC savings is \$1.5B. If you take Chrome to 35%, keep S-browser at 25% AND keep the installed base revenue share "as is" while not paying on text-based searches through the widget, TAC savings is around \$650M.

With respect to Cloud:

- In year 1, I'd withhold the first \$100M of payment from search revenue share and put it in escrow for Samsung to use in connection with Google . Cloud services. If they don't use any of it, we get it back. If they use all of it, great.
- In year 2, I'd withhold the first \$200M.
- In year 3, I'd withhold the first \$300M.

On Thu, May 30, 2019 at 8:57 AM Hiroshi Lockheimer <[REDACTED]@google.com> wrote:

I'd like to create some urgency around this (to the extent we think that helps us). Should we propose to meet them in person next week or week following to finalize?

**From:** Jamie Rosenberg [REDACTED]@google.com>

**Date:** Thu, May 30, 2019 at 7:17 AM

**To:** Sameer Samat

**Cc:** Hiroshi Lockheimer, Tristan Ostrowski, Jim Kolotouros, Donald Harrison

Agreed. The other wire they'll trip if they ask for rev share is potential coupling of this with the RSA re-negotiation. We were comfortable to decouple with the proposal as structured, but at some point the numbers get big enough that we should be looking at the two together. I think this has been Jim's POV -- but Jim pls keep me honest on this.

On Wed, May 29, 2019 at 6:06 PM Sameer Samat <[REDACTED]@google.com> wrote:

Although if they come back with rev share demands I think we should also come back with things they need to do to grow the play business. Because at that point we are in it together. Jamie at one point we had play on boarding / fop add as part of the setup flow etc (long ago) with them as an idea.

On Wed, May 29, 2019, 5:53 PM Jamie Rosenberg <[REDACTED]@google.com> wrote:

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We proposed \$200M over four years in flat payments and have BC approval to go to \$250M over four years.

If they come back asking for rev share on IAP, it wouldn't likely be something we could accommodate within what we have approved.

On Wed, May 29, 2019 at 5:44 PM Hiroshi Lockheimer <[REDACTED]@google.com> wrote:  
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Thanks, in some ways I hope this just boils down to \$. How much room do we have vis-a-vis what was approved at BC?

On Wed, May 29, 2019 at 5:12 PM Jamie Rosenberg <[REDACTED]@google.com> wrote:  
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(Adding Tristan for legal advice)

At the end of my conversation with Patrick today, he brought up the store proposal and referenced Hiroshi's conversation with DJ more generally (he was also fishing for more info on the Huawei situation).

He said -- referencing the Huawei situation -- that if anything he thinks this is a time to strengthen our partnership.

On the store proposal, he acknowledged the questions going back and forth between the teams and said they are still discussing internally and haven't reached an internal consensus. He asked me if there was a way to achieve our goals with the proposal but still accommodate their desire to process transactions via their payment system. I said we put a lot of thought into our proposal about how to align incentives to have a single voice to the ecosystem, and so that the teams were not out competing with each other. We simply had not figured out how what he's asking for wouldn't throw incentives out of alignment. So we looked for other ways to address what we felt were their true goals, make them whole on any economics they were seeing today, and keep our eyes on the prize of helping Samsung sell more devices.

He said, "So you're basically asking us to get out of the store business." I said, "We're proposing that we focus together on helping you achieve your goals in a different way, and in a way that keeps us aligned to collaborate technically and with our message to the ecosystem."

He said, "I would just encourage you to be as aggressive as possible on this in your proposal."

To which I said (more politely than these words): "Let me remind you that we've already made a proposal, and that it's with you to respond. DJ conveyed as much to Hiroshi as well."

And Patrick said, "Yes, yes, I know it's with us, and we'll respond."

I suspect they will come back with a stronger ask on core rev share in their response, given the signals we're getting.

On Tue, May 28, 2019 at 8:06 PM Jamie Rosenberg <[REDACTED]@google.com> wrote:  
FYI, I'm talking to Patrick tomorrow afternoon about RCS/ Guest Cloud rollout. If helpful I can probe on this...regardless will report back it he brings it up.

On Tue, May 28, 2019, 7:57 PM Sameer Samat <[REDACTED]@google.com> wrote:  
Cool. Let's see what they come back with.

On Tue, May 28, 2019, 7:36 PM Hiroshi Lockheimer <[REDACTED]@google.com> wrote:  
Called DJ:

1) He assured me ("I give you my word") they understand now is a time to be working even closer together. I pointed out we have a shared weakness: China. He understood my point.

2) To that end he says Patrick has a proposal he's willing to share back with us re the store.

Fingers crossed, although I'm sure they will negotiate hard.

Hiroshi

## GOOG-PLAY-007384816

## Metadata

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| <b>All Custodians</b>    | Donald Harrison;Hiroshi Lockheimer;Jamie Rosenberg;Jim Kolotouros;Sameer Samat                                                                                 | SEMANTIC           |
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| <b>Confidentiality</b>   | CONFIDENTIAL                                                                                                                                                   | SEMANTIC           |
| <b>Custodian</b>         | Jamie Rosenberg                                                                                                                                                | SEMANTIC           |
| <b>Date Modified</b>     | 05/30/2019 4:39 pm                                                                                                                                             | SEMANTIC           |
| <b>Date Sent</b>         | 05/30/2019 4:39 pm                                                                                                                                             | SEMANTIC           |
| <b>Document Type</b>     | E-mail                                                                                                                                                         | SEMANTIC           |
| <b>Extension</b>         | eml                                                                                                                                                            | SEMANTIC           |
| <b>File Size</b>         | 27323                                                                                                                                                          | SEMANTIC           |
| <b>From</b>              | jim.kolotouros <[REDACTED]@google.com>                                                                                                                         | SEMANTIC           |
| <b>MD5 Hash</b>          | 4B914B2CD66FFE2A0260475CD610C7D3                                                                                                                               | SEMANTIC           |
| <b>Message Id</b>        | <CAEkp2j0B7+bnrkxYgorJZ8BjEDgBSHhv7LpCpBi7K63WneN6Ng@mail.gmail.com>                                                                                           | SEMANTIC           |
| <b>Parent Date</b>       | 05/30/2019 4:39 pm                                                                                                                                             | SEMANTIC           |
| <b>Primary Date</b>      | 05/30/2019 4:39 pm                                                                                                                                             | DOC_TYP<br>E_ALIAS |
| <b>Production Volume</b> | PROD053                                                                                                                                                        | SEMANTIC           |
| <b>Redacted</b>          | No                                                                                                                                                             | SEMANTIC           |
| <b>Subject</b>           | Re: Samsung store proposal                                                                                                                                     | SEMANTIC           |
| <b>Time Zone</b>         | UTC                                                                                                                                                            | SEMANTIC           |
| <b>Title</b>             | Re: Samsung store proposal                                                                                                                                     | SEMANTIC           |
| <b>To</b>                | hiroshi.lockheimer <[REDACTED]@google.com>                                                                                                                     | SEMANTIC           |